

**TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE**



**FISCAL NOTE**

**HB 1804 - SB 2251**

March 17, 2016

**SUMMARY OF BILL:** Reallocates the portion of the state business tax from the General Fund to the counties.

**ESTIMATED FISCAL IMPACT:**

**Increase State Revenue – \$747,600/Department of Revenue**

**Decrease State Revenue – \$66,450,800/General Fund**

**Increase Local Revenue – \$65,703,200**

**Assumptions:**

- Pursuant to Tenn. Code Ann. § 67-4-724, the state business tax is distributed as follows:
  - \$7.00 per return is paid to the county clerk;
  - 5 percent of the remainder is paid to the county clerk;
  - 43 percent of the remainder is allocated to the General Fund;
  - 1.125 percent of the remainder is allocated to the Department of Revenue;
  - The remainder is distributed to the county.
- This bill would remove the 43 percent allocation to the General Fund.
- Based on information provided by the Department of Revenue (DOR), the average amount of business tax collections remaining after the allocations to county clerks in the previous three fiscal years was \$154,536,784. This number is assumed to remain constant into perpetuity.
- Forty three percent of such collections, or \$66,450,817 ( $\$154,536,784 \times 43\%$ ), is currently allocated to the General Fund.
- The allocation to the DOR under current law is estimated to be \$990,967 [ $(\$154,536,784 - \$66,450,817) \times 1.125\%$ ].
- Pursuant to this bill, 1.125 percent of the collections remaining after the allocations to county clerks will be allocated to the DOR. The resulting recurring increase in revenue to the DOR is estimated to be \$747,572 [ $(\$154,536,784 \times 1.125\%) - \$990,967$ ].

- The recurring increase in local government revenue is estimated to be \$65,703,245 (\$66,450,817 - \$747,572).

**CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in blue ink that reads "Krista M. Lee". The signature is written in a cursive, flowing style.

Krista M. Lee, Executive Director

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